

WPR WEALTH PLANNING RESOURCES

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Getting Started in the Exit Planning Process

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Nora Chapman's story was typical of most owners of an architecture firm who have made the tough decision to exit their companies and retire. At age 60, she was ready to enjoy more time with her family and was ready to leave her 25-employee firm. Nora was thinking of selling to one or two of her key employees and when we met her, her first question was: "Is this the right exit choice?"



Many of you find yourself in the same predicament. You are able to envision your life beyond business ownership, but you don't have a clear picture of how best to "leave your business in style."

So what do you and the Nora Chapmans of the world do? Here is what we told Nora.

First, understand that leaving your firm is a process. Realizing that life after your business exit can be as fulfilling as your life as a successful owner is simply the first step. The next step is to figure out a way to approach your exit in a methodical, logical, rational manner. Most owners do not put enough thought and planning into their exits because they don't know how to begin, that there's a proven process available to them, or exactly what issues to consider and analyze. If that describes your situation, you are not alone. Most owners, and their advisors for that matter, don't know that there is a planning and an implementation process that is methodical, rational and can be tailored to your unique exit goals. There are seven basic steps to complete. This process begins with setting your exit objectives and understanding the value of your business. Based upon what you want and what you have, you can then examine and choose a proper path for you: be it a sale to a third party, a transfer to children, a sale to an ESOP, a sale to a co-owner, or an orderly liquidation.

As part of this Process, you also must consider what would happen to the business and to your family in the event your death or disability precedes your planned exit. Simply knowing the process and proceeding down the exit planning path, however, is insufficient. According to the Small Business Administration (SBA) most business owners who begin

the planning process fail because they fail to plan. To succeed, you need a *written* plan that:

- Identifies your exit, financial and other objectives that must be considered
- Documents how you are going to achieve those objectives

Along with this written plan you must have a checklist that:

- Assigns responsibility for each task to be completed throughout the Exit Planning process
- Sets dates for each task to be completed
- Designates the person responsible for completing each task

How do you begin?

“Let us, therefore, decide upon the goal and upon the way and not fail to find some experienced guide who has explored the region towards which we are advancing; for the conditions of this journey are different from those most travel.” — Seneca, “On the Happy Life” (AD 58)

As skilled and as successful as most business owners are, they cannot, working alone, create and execute their exit plans. Rarely have owners made a career of exiting businesses. Those owners who do attempt to craft their own exit plans usually fail and, at best, they leave a lot on the table: a lot of money, time and/or their own happiness. And, as skilled as is your attorney, CPA or financial and insurance representative, acting alone, each is unable to craft a successful exit plan. Successful exit planning is a multi-disciplinary effort that requires you and your advisors working together. No one profession possesses the breadth of knowledge necessary to advise a business owner on the wide variety of exit planning issues.

For your exit plan to succeed, you need legal expertise, financial advice, tax planning, financial advisory input, and often, consulting ideas. If you decide to sell to a third party, you may require the services of a Business Broker or Investment Banker. No one advisor can be an expert in all aspects of exiting a business.

What does it take to create an exit plan?

- Understand that there is a proven exit planning process. Learn as much as you can before you make final decisions.
- Commit to see the process through—holding yourself and others accountable.
- Document your decisions and create a written plan.
- Hire an experienced team of professionals—attorney, CPA and financial or insurance representative (at a minimum) to help guide you through this process. These professionals should more than pay for themselves by putting money in your pocket. If they cannot, you have the wrong team.

If you are to exit successfully, there is much to do. We can help by providing more detailed information on exit planning in general, and by giving you a sense of the time and resources this planning and implementation process will take.

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